

MARYLAND HEALTH CARE COMMISSION

UPDATE OF ACTIVITIES

January 2002

DATA SYSTEMS & ANALYSIS

Data Base and Application Development

Medical Care Data Base

The final data submission materials for data collection due to the Commission on June 30, 2002 will be mailed in late January. Payers that experienced problems with either practitioner services or prescription drug submissions will be given additional guidance in preparing submissions this year. A technical information meeting held via the Internet is planned for later this spring for all payers.

Planning for the 2001 Maryland Long-Term Care Survey

The staff expects to release the survey in the second quarter of 2002 to comprehensive care, sub-acute, assisted living, and adult day care facilities using the application developed for the 2000 survey.

Prototyping of Internet Physician License Renewal System

MHCC staff has developed a test version of an on-line physician license renewal application. This prototype is being developed to demonstrate to the Board of Physician Quality Assurance the simplicity of such an application. Implementing the re-licensure process via the Internet is consistent with Maryland's E-government initiative (HB 274 — The Electronic Government Initiative Act, enacted in CY 2000). That Act specifies a three-year timeline for agencies to make information and services accessible via the Internet. For fiscal year (FY) 2002, fifty percent of an agency's services and information must be accessible via the Internet. That goal increases to eighty percent by FY 2004.. If BPQA implements the application, the Commission would save approximately \$15,000-20,000 in annual data entry expenses. The application could also significantly improve the quality of the information collected via the application.

Ambulatory Surgical Center Survey

MHCC expects to release the 2001 Ambulatory Surgical Center Survey late in the first quarter of 2002. This survey will be administered via an application retrievable via the Internet, a method that proved extremely successful for the 2000 survey. A small procurement is envisioned to enhance real-time editing capabilities and to obtain help desk support during the survey administration period.

Cost and Quality Analysis

The Commission is releasing the report, *State Health Care Expenditures: Experience from 2000* at the January Commission meeting. The report will highlight changes in overall health care

expenditures and spending growth by leading health care sectors and major payer categories. Overall, expenditures climbed by 8.4 percent, the most significant spending increase since the Commission began reporting on spending in 1995. The rapid rate of growth in overall statewide spending is the result of significant increases in spending across all types of health care services. Hospital outpatient services grew the most rapidly at 13.7 percent followed by increases of about 11 percent for prescription drugs and other professional services. Given 22 percent increase in drug expenditures in 1999, a mere 11 percent increase might be labeled successful cost control. Physician expenditures, which at \$4.8 billion are now the largest single component of the SHEA, increased 8.5 percent from 1999 to 2000. Inpatient hospital care experienced relatively slow growth at 4.7 percent. Yet, even this growth rate was much higher than last year, when an increase of 2.4 percent in inpatient hospital expenditures was reported. The staff will review the principal findings of the report at the meeting.

The Commission has awarded a 1-year contract for \$125,000 to Project Hope Center for Health Affairs for task order policy studies. The staff is currently evaluating several possible studies including a follow-up to the prescription drug analysis using several years of information.

EDI Programs and Payer Compliance

HIPAA Statewide Conference

The staff continues to accept applications to the conference at the BWI Marriott on February 19th. The Commission has received 100 applications through January 11th. We hope to reach our target of 200 attendees, which would enable the Commission to break even on the initiative.

Delay in Implementation of HIPAA Transaction Standards

President Bush signed into law a bill (H.R. 3323, the Administrative Simplification Compliance Act) that provides for a 1-year extension of the date for complying with the HIPAA standard transactions and code set requirements (to Oct 16, 2003). To obtain a 1-year delay, covered entities must submit an application and plan for complying with the Secretary of Health and Human Services by October 16, 2002. The bill directs HHS to develop and promulgate a model compliance form for the plan by March 31, 2002, and to allow for compliance plans to be submitted electronically. The compliance deadlines for the Privacy Rule (April 14, 2003 for all covered entities except small health plans; April 14, 2004 for small health plans) are not changed by the act.

The act imposes one additional requirement on providers. All providers are required to submit electronically to Medicare by Oct 16, 2003. Waivers exist for certain small providers or if there is no method for electronic submission of claims is available. However, this is the first instance in which the federal government has mandated use of EDI.

It is too early to determine whether many covered entities will seek a delay. Because the law requires an explicit application process, some in the industry believe that organizations will avoid making a formal application (admission) that they cannot meet the original October 16, 2002 deadline. The Blue Cross and Blue Shield Association backed the bill, as well as state governments that face significant expense in upgrading Medicaid systems, and private payers. The IT industry opposed any delays in implementation.

PERFORMANCE & BENEFITS

Benefits and Analysis

Comprehensive Standard Health Benefit Plan (CSHBP)

At the October 2001 meeting, the Commission voted on proposed benefit changes to the CSHBP. The Commission adopted the provisions of HB 160 (coverage for hearing aids for children) into the CSHBP with a clarification in the regulations that coverage is limited to a minor child, defined as a child ages 0 to 18 years. These proposed regulations were published in the *Maryland Register* at the end of December for the 45-day comment period. After the final adoption of the regulations by the Commission, benefit changes will be implemented on July 1, 2002.

Commission staff is in the process of compiling the material for the annual mailing to all carriers participating in the small group market in Maryland to collect their annual financial data. Packets will be mailed by January 31st, with the deadline for carriers to submit this data by April 5th. Staff will complete an analysis of the survey results, including number of lives covered, number of employer groups purchasing the CSHBP, loss ratios, average premiums as they relate to the 12-percent affordability cap, etc. Staff will present these findings to the Commission in the spring.

Study of the Small Group Market

SB 457 (2001) requires the Commission to contract with an independent consultant to: (1) conduct a study comparing the performance of Maryland's small group health insurance market reform law to other states; and (2) meet with and provide periodic updates to an independent advisory committee. The second meeting of the Independent Advisory Committee was held on January 7, 2002. Health Management Associates (HMA), the consultant who was awarded the contract, conducted telephone interviews with the insurance departments and carriers of the six states included in the study, and is in the process of preparing a draft report. HMA will present a draft outline of the report to the Commission at the January Commission meeting. The findings and recommendations of the study are due to the Governor and the General Assembly during the 2002 legislative session.

Evaluation of Mandated Health Insurance Services

At the December 2001 meeting, the Commission approved the mandated benefits report, prepared by our actuarial consultant, William M. Mercer, Inc., (Mercer). The final report has been posted on the MHCC website and printed copies also are available through Commission staff. Staff will forward the final report to the General Assembly in January. Mercer also will be available to present the report to the General Assembly during the 2002 legislative session.

Substantial Available and Affordable Coverage (SAAC)

Legislation passed by the 2001 Maryland General Assembly freezes the existing differential provisions of the SAAC product administered by the Health Services Cost Review Commission (HSCRC) through June 30, 2003. Regulations to conform the SAAC benefit plan to the CSHBP became effective with open enrollment periods beginning December 1, 2000. At the October 2000 meeting, the Commission approved regulations to further conform the SAAC benefit plan to reflect changes to the CSHBP that became effective July 1, 2001.

Currently, there are three carriers participating in the SAAC market. Aetna and Optimum Choice, Inc. have notified the Maryland Insurance Administration (MIA) and the HSCRC that they are no longer accepting enrollees. Both carriers will consider leaving the market altogether after the 2002 legislative session. Finally, CareFirst is eliminating the FreeState and Delmarva HMOs from the SAAC market, the non-group (individual) market, and the small group market. A number of FreeState enrollees will not satisfy CareFirst's stricter underwriting requirements for its PPO and indemnity products. These stricter underwriting requirements may force the non-qualifying FreeState HMO enrollees to enroll in CareFirst's SAAC PPO product (at a higher premium and with deductibles), to try to obtain a medically underwritten product from another carrier, if possible, or to forgo insurance altogether. Small group employers can buy riders to reduce the high deductibles; however, individuals purchasing the SAAC product cannot. At the October 2001 meeting, staff presented emergency regulations to lower the deductible in the SAAC PPO product, but the Commission did not pass the proposed regulations.

Legislative and Special Projects

Nursing Home Report Card

Chapter 382 (SB 740) of 1999 requires the Commission, in consultation with the Department of Health and Mental Hygiene and the Department of Aging, to develop a system to comparatively evaluate the quality of care and performance of nursing facilities. The initial version of the new web-based Nursing Home Performance Evaluation Guide is available through the Commission's website. Work continues with the vendor to update the website based on new information and feedback that the Commission has been receiving since the public release. An updated version of the Guide that will include some trended Quality Indicator information and a revised Deficiency Information page will be released at the press conference featuring the initial version of the Hospital Performance Evaluation Guide on January 31st.

Hospital/Ambulatory Surgical Facility Report Card

Chapter 657 (HB 705) of 1999 requires the Commission to develop similar performance reports on hospitals and ambulatory surgical facilities (ASFs). The required progress report has been forwarded to the General Assembly. The Commission has contracted with the Delmarva Foundation, in partnership with Abt Associates, to: (1) analyze hospital data to develop appropriate indicators for inclusion in the Hospital Performance Evaluation Guide, and (2) design and execute a consumer-oriented website for the Guide. The Commission had requested a delay because of the emphasis given to the release of the nursing home report card. The first iteration of the Hospital Guide will feature structural (descriptive) information and the frequency, risk-adjusted length-of-stay, and risk-adjusted readmissions rates for 36 high volume hospital procedures (diagnosis related groups or DRGs). Data for those facilities with less than 20 discharges per DRG in the reporting period will not be presented. This initial version of the Hospital Performance Evaluation Guide will be unveiled at the press conference scheduled for January 31st at 12:30 in the Joint Hearing Room of the Legislative Services Building in Annapolis.

Data collection for the two core measure sets (Heart Failure and Pneumonia) under the Joint Commission on the Accreditation of Healthcare Organization's (JCAHO) ORYX initiative will begin in March 2002. Data will be gathered on a pilot, or test, basis through June 2002. Data gathered between July and December 2002 will be made publicly available in the second iteration of the Hospital Guide in Spring 2003.

A separate guide will be developed for the ambulatory surgical facilities (ASF). The Commission staff recently released a request-for-proposal (RFP) to develop the Guide and the website. It is anticipated that the ASF Consumer Guide will be made public in June 2002.

State-Level Survey of the Uninsured

A state-level survey of the uninsured has been developed by a team of staff from DHMH's Office of Planning, Development and Finance and Office of Public Health Assessment in coordination with the MHCC. The contract has been awarded to the Gallup Organization, which has conducted a number of similar surveys in other states. Gallup's subcontractor, REDA International, began conducting interviews in Maryland on October 8th. Data collection was completed on December 28, 2001 with a final total of 5,137 interviews. Reports based on the results on the survey are due in mid-February 2002.

Patient Safety

Chapter 318 (HB 1274) of 2001 requires the Commission, in consultation with DHMH, to study the feasibility of developing a system for reducing preventable adverse medical events. A Maryland Patient Safety Coalition was initiated by the Delmarva Foundation and, at this time, is serving as the Commission's sounding board for its activities related to patient safety. The preliminary report, approved by the Commission at the December meeting, has been sent to the General Assembly and staff expects to brief the appropriate committees upon request.

HMO Quality and Performance

Distribution of 2001 HMO Publications

Cumulative distribution beginning with release of each publication	9/28/01- 12/31/01		
	Paper	Electronic Web	
<i>Comparing the Quality of Maryland HMOs: 2001 Consumer Guide (30,000 printed)</i>	20,226	Interactive version	Visitor sessions = 917 Hits = 4,252
		.pdf version	Hits = 15,343
<i>2001 Comprehensive Performance Report: Commercial HMOs in Maryland (700 printed)</i>	492	Hits = 2,208	

At MHCC's suggestion, George Washington University Health Plan (GWUHP), which will close in early March, has established a link from its website to MHCC's website and the .pdf version of the *HMO Guide for Consumers* to offer information about other health plans to members of that plan and their employers. In January and February, public libraries throughout the state will be contacted by MHCC staff, so HMO Guide distribution boxes can be restocked, as needed.

2002 Performance Reporting (CAHPS Survey and Audit of HEDIS Data)

All correspondence and questionnaires have been prepared, approved, and sent to Market Facts, our survey vendor, for the 2002 CAHPS survey. We are ahead of schedule on the member survey.

HealthcareData.com, the audit vendor, submits bi-weekly reports on audit activities and is on schedule. As plans and the audit vendor prepare to have member file formats audited as the first step of the survey process, MHCC and CareFirst have discussed the National Committee for Quality Assurance (NCQA) accreditation requirements that are not consistent with the State of Maryland HMO performance reporting process. A letter has been sent from MHCC to NCQA outlining how NCQA standards for accreditation of plans (requiring that all members of a soon-to-be defunct plan be included in the upcoming survey and audit) are problematic for this Commission's performance reporting process and not in the best interest of consumers.

Report Development Contract: Policy Report

The HMO Quality & Performance Division staff has completed writing and editing work on the *2001 Policy Report*. The publication is now being converted to Quark software and being laid-out by our graphic design contractor, Madison Design. Bids are being sought for printing. The project is on track. That report will be released at the press conference featuring the initial version of the Hospital Performance Evaluation Guide on January 31st. The *Policy Report* will be the last deliverable under the current contract which ends in May 2002.

The request for proposals (RFP) for HMO Report Development work completed by MHCC staff for the next contract period (2002 - 2004, with an extension period of one additional year through May 31, 2005) is being reviewed by the Department of Budget and Management.

Recommendations on HMOs Required to Report and Measures to be Reported in 2002 and 2003

At the December meeting, the Commissioners took final action to establish revised requirements for HMO reporting in 2002 and preliminary requirements for reporting in 2003. Notices were sent to representatives of each of the nine HMOs that will be required to report to the Commission.

Availability of After-Hours Care

As a prelude to collecting a MHCC-specific measure about availability of after-hours clinical care that will be required beginning in 2002, MHCC staff has conducted a small survey of the plans to determine how many plans have contracts with urgent care (UC) centers and if the HMOs have knowledge of the hours that care is available at those facilities. With responses from CareFirst still outstanding for BlueChoice or FreeState, and with the exception of Delmarva Health Plan (which does not contract with an urgent care center), each of the seven other HMOs operating in Maryland in 2002 have contracts with urgent care centers. The number of UC centers under contract with each HMO varies from the low of 7 for Coventry and 13 for Aetna to the high of 113 for MDIPA and 128 for OCI. Only Aetna, Coventry, and PHN collect information (every two or three years) on the hours of operation of these centers. Cigna and Kaiser collect information on hours of operation only upon application by the centers (i.e., at the beginning of the contract period).

Legislative Update

The legislative Session began January 9, 2002 and adjourns April 8, 2002. On January 15th, the Commission will brief the House Economic Matters Committee on issues related to the small group market. The three reports approved by the Commission in December have been sent to the appropriate committees of the General Assembly: (1) the annual report on the Mandated Health Insurance Services Evaluation; (2) the Interim Report on the Study of Patient Safety in Maryland; and (3) the Study of Limited Direct Admission at Continuing Care Retirement Communities in Maryland.

HEALTH RESOURCES

Certificate of Need

During the past month, staff reviewed nine requests for determination of Certificate of Need (CON) coverage. A determination that CON review is not required was issued to Sacred Heart Hospital in Cumberland, for a \$16.6 million project to build a new facility next to the existing hospital that will house a new outpatient imaging center, medical offices, warehouse space, and HVAC infrastructure. Sacred Heart took “the pledge” for the capital costs of the project, and the HSCRC found that the hospital’s revenues and financial projections supported that rate-setting commitment.

Five of the determination letters dealt with changes to licensed bed capacity at existing facilities. Fairfield Nursing Center in Anne Arundel County will re-license its last four temporarily delicensed beds, while Glasgow Nursing Home in Dorchester County requested authorization to delicense 15 of its 35 beds for up to one year. Staff also issued a determination that 29 adult and adolescent special hospital-psychiatric beds, acquired in 1999 by Sheppard Pratt Health System as part of the resolution of the Gundry-Glass Hospital bankruptcy case, are considered relinquished by Sheppard Pratt, which had indicated to the Commission that it did not intend to re-implement the beds. Two hospital-based skilled nursing units received authorization to close on a temporary basis, while each institution considers the future of sub-acute care at the respective hospitals. Washington Adventist Hospital in Montgomery County will close its 20-bed unit, and consider whether to seek CON exemption approval to relocate some of the beds to nursing facilities also owned by the Adventist system. McCready Hospital in Crisfield, Somerset County, having also requested a determination that it may add three waiver beds to its existing six-bed skilled nursing unit, will close the unit to address high staffing and resource costs of operating the service.

In the area of ambulatory surgery, a determination of non-coverage by CON review was issued to a Baltimore County physician seeking to establish a single, non-sterile procedure room in an office setting. A determination that CON review would be required was issued to an Anne Arundel County physician seeking to establish a second operating room in an office-based setting.

Phase II Certificate of Need Program Study

Health Resources staff prepared the final report for Phase II of the Certificate of Need Program Study for consideration by the Commission. During the second year of the CON program study, the Commission examined the following services: (1) rehabilitation hospital and chronic hospital

services; (2) inpatient acute care hospital services, including medical-surgical and pediatric services (3) inpatient psychiatric services; (4) ambulatory surgical facilities and services; (5) organ transplant, neonatal intensive care, and burn services; (6) intermediate care facilities for alcohol and substance abuse services; (7) child and adolescent inpatient psychiatric and residential treatment center facilities; and (8) intermediate care facilities for developmentally disabled services. At its January 17, 2002 meeting, the Commission will finalize its recommendations to the General Assembly on the services considered during the second phase of the CON study.

Acute and Ambulatory Care Services

At the December Commission meeting, the Commission approved the draft State Health Plan chapter on acute hospital inpatient obstetric services. The draft Plan chapter is scheduled to be published in the *Maryland Register* on January 25, 2002 as proposed permanent regulation.

The fourth edition of the Commission's *Ambulatory Surgery Provider Directory* was released at the December Commission meeting, and is now available on the Commission's website.

Program staff are developing a concept paper outlining research questions, methods, and resource requirements that will serve as a vehicle for discussion with potential granting agencies on issues in ambulatory surgery regulation. The desirability of additional research in this field was identified in the Commission's Working Paper evaluating certificate of need regulation of ambulatory surgical facilities in Maryland, and articulated in our research proposal, which will be discussed at the January Commission meeting.

Staff responded to a special request for acute care inventory data from the Maryland Institute of Emergency Medical Services Systems.

Long Term Care and Mental Health Services

Notice of the proposed action to update the State Health Plan for Long Term Care Services (COMAR 10.24.085) will be published in the *Maryland Register* on January 25, 2002. The Commission will provide an opportunity for public comment on the proposed permanent regulations for 30 days after publication of the proposal, until February 25, 2002. Staff prepared the final report on the Study of Limited Direct Admission at Continuing Care Retirement Communities in Maryland and sent it to the printer for copying prior to distribution to the Maryland legislature and other interested parties. Staff provided technical assistance to a developer of continuing care in St. Louis, Missouri on regulation of continuing care retirement communities. Staff attended the Oversight Committee on Quality of Care in Nursing Homes in Annapolis on December 20, 2001. Presentations were made by Medicaid on the budget shortfall and its impact on nursing homes, as well as by the Board of Nursing on federal and state requirements for certified nursing assistants.

Specialized Health Care Services

Notice of the proposed action to update the State Health Plan for Organ Transplant Services (COMAR 10.24.15) will be published in the *Maryland Register* on January 25, 2002. The Commission will provide an opportunity for public comment on the proposed permanent regulations for 30 days after publication of the proposal, until February 25, 2002.

Staff is reviewing information related to the grandfathering of bone marrow and stem cell transplant programs in Maryland under the provisions of COMAR 10.24.15. Bone marrow and stem cell transplant programs in the District of Columbia, Northern Virginia, and Maryland have submitted data on utilization of the programs from January through September of 2001. On January 22, 2002, staff will begin collecting data on the fourth quarter of 2001.

The Commission granted a request to extend the deadline for filing written comments on the applications received in the Certificate of Need review for an open heart surgery program in the Metropolitan Washington region. Interested parties are to submit their comments by January 22, 2002, instead of January 14, 2002.